



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

---

Single Audit

# Pinal County

Year Ended June 30, 2004

---



---

**Debra K. Davenport**  
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.  
You may request them by contacting us at:

**Office of the Auditor General**

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

**[www.auditorgen.state.az.us](http://www.auditorgen.state.az.us)**

Pinal County  
Single Audit Reporting Package  
Year Ended June 30, 2004

Table of Contents	Page
<b>Comprehensive Annual Financial Report</b>	
Issued separately	
<b>Single Audit Section</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	11
Federal Award Findings and Questioned Costs	12
<b>County Responses</b>	
Corrective Action Plan	



**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Basic  
Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Board of Supervisors of  
Pinal County, Arizona

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pinal County as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 14, 2004, which was modified due to our reliance on the report of other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We and the reports of the other auditors noted no matters involving internal control over financial reporting and its operation that we and the other auditors consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we will report to the County's management in a separate letter at a future date.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the reports of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we will report to the County's management in a separate letter at a future date.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA  
Financial Audit Director

December 14, 2004



**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Board of Supervisors of  
Pinal County, Arizona

### **Compliance**

We have audited the compliance of Pinal County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Pinal County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, and that is described in the accompanying Schedule of Findings and Questioned Costs as item 04-101.

## **Internal Control over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133

We noted a certain matter involving internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 04-101.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pinal County as of and for the year ended June 30, 2004, and have issued our report thereon dated December 14, 2004, which was modified due to our reliance on the report of other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA  
Financial Audit Director

March 17, 2005, except for the  
Schedule of Expenditures of Federal  
Awards, for which the date is  
December 14, 2004

Pinal County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
<b>U.S. Office of National Drug Control Policy</b>			
Passed through Pima County:			
High Intensity Drug Trafficking Areas	07.I3PSAP549	01-11-P-132473-1002	\$ 217,547
High Intensity Drug Trafficking Areas	07.I4PSAP549	01-11-P-134370-1003	<u>6,670</u>
Total U.S. Office of National Drug Control Policy			<u>224,217</u>
<b>U.S. Department of Agriculture</b>			
Passed through the Arizona Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG361078	867,282
State Administrative Matching Grants for Food Stamp Program	10.561	HI461271	63,011
Commodity Supplemental Food Program	10.565	HG361104	26,741
Passed through the Arizona Department of Education:			
Child and Adult Care Food Program	10.558	KR02-1170-ALS	<u>5,220</u>
Total U.S. Department of Agriculture			<u>962,254</u>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Grants:			
Public and Indian Housing	14.850		323,433
Section 8 Housing Choice Vouchers	14.871		3,231,634
Public Housing Capital Fund	14.872		188,449
Passed through the Arizona Department of Commerce:			
Community Development Block Grants/State's Program	14.228	036-02H	25,779
Passed through the Arizona Department of Housing:			
Community Development Block Grants/State's Program	14.228	141-03, 117-04, 176-04SSF	<u>120,778</u>
Total Community Development Block Grants/ State's Program			<u>146,557</u>
Passed through the Arizona Governor's Office of Housing Development:			
HOME Investment Partnerships Program	14.239	153-02H	<u>104,566</u>
Total U.S. Department of Housing and Urban Development			<u>3,994,639</u>
<b>U.S. Department of the Interior</b>			
Direct Grants:			
Law Enforcement Cooperative Agreement	15.074447095		6,572
Payments in Lieu of Taxes	15.226		673,798
Distribution of Receipts to State and Local Governments	15.227		<u>47,431</u>
Total U.S. Department of the Interior			<u>727,801</u>

(Continued)

See accompanying notes to schedule.

Pinal County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004  
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Justice</b>			
Direct Grants:			
Local Law Enforcement Block Grants Program	16.592		\$ 49,364
State Criminal Alien Assistance Program	16.606		70,660
Public Safety Partnership and Community Policing Grants	16.710		28,954
DEA—Domestic Cannabis Eradication and Suppression Program	16.unknown		13,024
Passed through the Arizona Governor's Office for Children, Youth and Families:			
Juvenile Accountability Incentive Block Grants	16.523	01JAIBG-11/01-03 JB-GRA-02-4182-11	76,506
Violence Against Women Formula Grants	16.588	AD030003-001 AD030003-007	245,371
Passed through the Arizona Criminal Justice Commission:			
National Criminal History Improvement Program	16.554	NCH-04-103	16,757
Crime Victim Compensation	16.576	VC-04-060	14,172
Byrne Formula Grant Program	16.579	AC-100-04, PC-070-04, CRI-04-077	269,539
Passed through the National Sheriffs Association:			
Crime Victim Assistance	16.575	2002-VF-GX-K0003	<u>1,366</u>
Total U.S. Department of Justice			<u>785,713</u>
<b>U.S. Department of Transportation</b>			
Passed through the Arizona Department of Transportation:			
Highway Planning and Construction	20.205	JPA 02-69	108,332
Passed through the Governor's Office of Highway Safety:			
State and Community Highway Safety	20.600	2003-AL-009	26,600
Passed through the Arizona Emergency Response Commission:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	None	<u>20</u>
Total U.S. Department of Transportation			<u>134,952</u>
<b>National Foundation on the Arts and the Humanities</b>			
Passed through the Arizona Department of Library, Archives and Public Records:			
State Library Program	45.310	231-3-1-(03)	<u>889</u>

(Continued)

See accompanying notes to schedule.

Pinal County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004  
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
<b>Environmental Protection Agency</b>			
Passed through the Arizona Department of Environmental Quality:			
Air Pollution Control Program Support	66.001	99-0182, EV02-0101	\$ <u>180,896</u>
<b>U.S. Department of Education</b>			
Direct Grants:			
Fund for the Improvement of Education	84.215		362,795
Passed through the Arizona Department of Education:			
Title I Grants to Local Educational Agencies	84.010	04FAATTI-460979-07A	65,779
Special Education—Grants to States	84.027	04FESCBG-460979-01A 04FESPP2-470733-01A	45,429
Safe and Drug-Free Schools and Communities— State Grants	84.186	04FSSIVB-470734-05A	63,737
Tech-Prep Education	84.243	04FCTDTP-470734-01A	128,055
Eisenhower Professional Development State Grants	84.281	04FAATII-460979-08A	15,348
State Grants for Innovative Programs	84.298	04FAATVA-470734-02A	91,467
Education Technology State Grants	84.318	04FAAETF-460979-10A 04FADETD-460979-04A	55,689
Reading First State Grants	84.357	04FSARF2-460979-06A 04FSACRS-470734-07A 04FSASRS-470734-06A	137,709
English Language Acquisition Grants	84.365	04FAAENG-470733-02A	74,847
Improving Teacher Quality State Grants	84.367	04FAAITY-470734-03A	103,329
Passed through the Arizona Department of Economic Security:			
Special Education—Grants for Infants and Families with Disabilities	84.181	E1800030	<u>42,432</u>
Total U.S. Department of Education			<u>1,186,616</u>
<b>U.S. Department of Health and Human Services</b>			
Direct Grants:			
Rural Health Outreach and Rural Network Development Program	93.912		179,437
Passed through the Area Agency on Aging Region One:			
HIV Emergency Relief Project Grants	93.914	2004-01-PIN/2002-01-PIN	150,597
Passed through the Arizona Family Planning Council:			
Family Planning—Services	93.217	None	137,548
Passed through the Arizona Department of Health Services:			
Abstinence Education	93.235	HP361258-002	158,633
Policy Research and Evaluation Grants	93.239	H1454353	7,061

(Continued)

See accompanying notes to schedule.

Pinal County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004  
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Immunization Grants	93.268	HG352197, 152047	\$ 148,755
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	252035	416,862
HIV Emergency Relief Project Grants	93.914	C86-02-631-2, C86-03-718-2 C86-04-818-2	7,497
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	HG361206	133,781
HIV Prevention Activities—Health Department Based Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.940	HG352262	51,772
Preventive Health and Health Services Block Grant	93.988	E4H87939	4,191
Maternal and Child Health Services Block Grant to the States	93.991	HG354185, HG361119	87,161
	93.994	961117, 261187, HP461323-005 HP361146-003,261196	322,923
Passed through the Arizona Department of Economic Security:			
Child Support Enforcement	93.563	G04-04AZ-4004	1,889,160
Grants to States for Access and Visitation Programs	93.597	G02-04-AZ-4004	8,492
Passed through the Pinal/Gila Council for Senior Citizens: Social Services Block Grant	93.667	0004-308	141,848
Passed through the Gila River Indian Community: Rural Health Outreach and Rural Network Development Program	93.912	None	26,989
Passed through the Maricopa County Department of Public Health: HIV Emergency Relief Project Grants	93.914	C86-03-708-2-01 C86-04-808-2	<u>15,913</u>
Total U.S. Department of Health and Human Services			<u>3,888,620</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the Arizona Department of Emergency and Military Affairs:			
State Domestic Preparedness Equipment Support Program	97.004	2002-TE-CX0142, 2003-MU-T3-0034 2003-TE-TX-0196	569,748
State and Local Homeland Security Exercise Support	97.006	None	23,812
State and Local All Hazards Emergency Operations Planning	97.051	None	27,694

(Continued)

See accompanying notes to schedule.

Pinal County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004  
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Citizens Corps	97.053	None	\$ 14,595
Community Emergency Response Teams	97.054	None	<u>5,014</u>
Total U.S. Department of Homeland Security			<u>640,863</u>
Total Expenditures of Federal Awards			<u>\$ 12,727,460</u>

See accompanying notes to schedule.

Pinal County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pinal County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2004 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients:

Program Title	CFDA Number	Amount
DEA—Domestic Cannabis Eradication and Suppression Program	16.unknown	\$ 10,584
Fund for the Improvement of Education	84.215	257,110
State Domestic Preparedness Equipment Support Program	97.004	202,641

Pinal County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2004

**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:		Unqualified	
	<b>Yes</b>	<b>No</b>	
Material weakness identified in internal control over financial reporting?	___	<u>X</u>	
Reportable conditions identified not considered to be material weaknesses?	___	<u>X</u> (None reported)	
Noncompliance material to the financial statements noted?	___	<u>X</u>	

***Federal Awards***

Material weakness identified in internal control over major programs?		___	<u>X</u>
Reportable conditions identified not considered to be material weaknesses?		<u>X</u>	___
Type of auditors' report issued on compliance for major programs:			Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?		<u>X</u>	___
Identification of major programs:			

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance
97.004	State Domestic Preparedness Equipment Support Program

Dollar threshold used to distinguish between Type A and Type B programs:		\$381,824	
Auditee qualified as low-risk auditee?		<u>X</u>	___

**Other Matters**

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?			<u>X</u>
---	--	--	----------

Pinal County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

Federal Award Findings and Questioned Costs

04-101

CFDA No.: 97.004 **State Domestic Preparedness Equipment Support Program**

U.S. Department of Homeland Security

Award Period: December 30, 2002 – July 31, 2004

Award Number: 2002-TE-CX0142

Questioned Cost: N/A

The County did not adequately enforce its internal control policies and procedures to ensure compliance with the equipment and real property management requirements. Specifically, six assets costing \$1,000 or more totaling \$27,350 were not capitalized and included on the County's fiscal year 2004 capital assets listing.

This finding is a reportable condition and immaterial noncompliance with the program's equipment and real property management requirements.

To comply with 28 Code of Federal Regulations §66.32, the County should ensure that all equipment with an acquisition cost of \$1,000 or more and a useful life of more than 1 year are capitalized and included on the County's capital assets listing.

March 17, 2005

Debbie Davenport  
Auditor General  
2910 N. 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date for the audit finding included in the current year's Schedule of Findings and Questioned Costs.

Sincerely,

Jane Cisco  
Interim Finance Director

Pinal County  
Corrective Action Plan  
Year Ended June 30, 2004

**Federal Award Findings and Questioned Costs**

04-101

CFDA No.: 97.004 **State Domestic Preparedness Equipment Support Program**

Contact Person: Brad Ellsworth, Accounting Supervisor

Anticipated Completion Date: 6/30/05

Corrective Action Plan – The County currently has procedures in place to identify and record capital assets. The lack of adherence to these procedures with respect to the six assets identified in the finding was due to a change in personnel at fiscal year end. The new employee in charge of the fixed asset records will be adequately trained by the end of the current fiscal year to ensure that all assets are capitalized.